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SHEUNG YUE GROUP HOLDINGS LIMITED

上諭集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1633)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Sheung Yue Group Holdings Limited (the “**Company**”) is pleased to present the annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2020 (the “**Year**”), together with the comparative audited figures for the year ended 31 March 2019 (the “**Previous Year**”).

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 MARCH 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	4	351,944	241,612
Cost of services		<u>(336,827)</u>	<u>(250,166)</u>
Gross profit/(loss)		15,117	(8,554)
Other income	4	3,637	1,285
Other net gains	4	15,739	4,466
Administrative expenses		<u>(32,812)</u>	<u>(50,102)</u>
Profit/(loss) from operation	5	1,681	(52,905)
Finance costs	6	<u>(350)</u>	<u>(96)</u>
Profit/(loss) before taxation		1,331	(53,001)
Income tax credit	8	<u>–</u>	<u>7,680</u>
Profit/(loss) for the year		<u>1,331</u>	<u>(45,321)</u>
Other comprehensive (expense)/income for the year			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating a foreign operation		<u>(1)</u>	<u>28</u>
Other comprehensive (expense)/income for the year		<u>(1)</u>	<u>28</u>
Total comprehensive income/(expense) for the year		<u>1,330</u>	<u>(45,293)</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings/(Loss) per share			
– Basic and diluted	10	<u>0.19</u>	<u>(6.62)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		45,221	43,418
Right-of-use assets		3,171	–
Financial asset at fair value through profit or loss		2,614	2,567
		<u>51,006</u>	<u>45,985</u>
Current assets			
Inventories		7,202	10,655
Contract assets		130,495	81,232
Trade and other receivables	11	40,456	28,641
Tax recoverable		71	53
Pledged bank deposits		20,689	19,671
Cash and cash equivalents		23,044	40,997
		<u>221,957</u>	<u>181,249</u>
Current liabilities			
Trade and other payables	12	91,410	53,530
Lease liabilities		1,269	561
Bank loan		8,795	4,928
		<u>101,474</u>	<u>59,019</u>
Net current assets		<u>120,483</u>	<u>122,230</u>
Total assets less current liabilities		<u>171,489</u>	<u>168,215</u>
Non-current liabilities			
Lease liabilities		1,944	–
		<u>1,944</u>	<u>–</u>
NET ASSETS		<u>169,545</u>	<u>168,215</u>
Equity			
Share capital		6,848	6,848
Reserves		162,697	161,367
TOTAL EQUITY		<u>169,545</u>	<u>168,215</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

1. GENERAL

The Company was incorporated in the Cayman Islands on 23 March 2016, as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at the offices of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is Units 103-105, 1st Floor, New East Ocean Centre, 9 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong.

The Company, an investment holding company, and its subsidiaries (together referred to as the “Group”) are principally engaged in the provision of foundation works including piling construction, ELS works, pile cap construction, site formation and ancillary services in Hong Kong and Macau.

The consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), which is also the functional currency of the Company, and all values are rounded to the nearest thousands, except when otherwise indicated. Each entity in the Group maintains its books and records in its own functional currency.

Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRS”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Listing Rules”).

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment of Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* (“HKAS 17”), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

	At 1 April 2019 <i>HK\$'000</i>
Operating lease commitments as at 31 March 2019	1,733
Less: Recognition exemption – leases with lease term ending within 12 months from the date of initial application	<u>(1,733)</u>
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	–
Add: Obligations under finance leases recognised at 31 March 2019	<u>561</u>
Lease liabilities as at 1 April 2019	<u><u>561</u></u>
Analysed as:	
Current	<u><u>561</u></u>

The carrying amount of right-of-use assets for own use as at 1 April 2019 comprises the following:

	Right-of use assets <i>HK\$'000</i>
Amounts included in property, plant and equipment under HKAS 17 – Assets previously under finance leases (<i>Note</i>)	<u>2,807</u>
By class:	
Plant and machinery	<u><u>2,807</u></u>

Note:

In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 April 2019 amounting to HK\$2,807,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK\$561,000 to lease liabilities at 1 April 2019.

Transition to HKFRS 16 does not have impact on retained earnings as at 1 April 2019.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 at 1 April 2019 HK\$'000
Non-current Assets			
Property, plant and equipment	43,418	(2,807)	40,611
Right-of-use assets	–	2,807	2,807

(b) New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Covid-19 Related Rent Concessions ⁴
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁵
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁵

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The directors do not anticipate that the application of new and amendments to HKFRSs will have material impact on the Group's financial positions and performance.

3. SEGMENT INFORMATION

(i) Operating segments

The chief operating decision maker (“CODM”) has been identified as the executive directors who review the Group’s internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

The CODM assesses the performance based on a measure of profit after income tax and considers all businesses to be included in a single operating segment.

The Group was principally engaged in provision of foundation works including piling construction, ELS works, pile cap construction, site formation and ancillary services in Hong Kong and Macau. Information reported to the Group’s chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole, as the Group’s resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

(ii) Geographical information

All of the Group’s revenue was derived from Hong Kong, based on the location of the customers, and all of its non-current assets were located in Hong Kong, based on the location of assets. Therefore, no geographical information is presented.

(iii) Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group’s total revenue during the year is as follows:

	2020	2019
	HK\$’000	HK\$’000
Customer A	– ^(Note)	40,680
Customer B	172,920	85,101
Customer C	30,033	34,458
Customer D	74,950	–
	<u>74,950</u>	<u>–</u>

Note: The corresponding revenue did not contribute over 10% of the total revenue of the Group.

4. REVENUE, OTHER INCOME AND OTHER NET GAINS

a) Revenue

As at 31 March 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately HK\$220,990,000 (2019: HK\$325,672,000).

This amount represents revenue expected to be recognised in the future from construction contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 12 to 24 months.

An analysis of the Group's other income and other net gains recognised during the year are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
b) Other income		
Interest income on bank deposits	<u>152</u>	<u>83</u>
Total interest income from financial assets that are not at fair value through profit or loss	152	83
Machinery rental income	3,006	346
Sundry income	<u>479</u>	<u>856</u>
	<u><u>3,637</u></u>	<u><u>1,285</u></u>
c) Other net gains		
Gain on disposal of property, plant, and equipment	8,665	4,350
Gain on fair value changes in financial asset at FVTPL	47	116
Reverse of allowance for credit loss:		
– Trade receivables	2,182	–
– Contract assets	<u>4,845</u>	<u>–</u>
	<u><u>15,739</u></u>	<u><u>4,466</u></u>

5. PROFIT/(LOSS) FROM OPERATION

The Group's profit/(loss) from operation is arrived at after charging/(crediting):

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Auditors' remuneration	430	458
Depreciation		
– Owned property, plant and equipment*	11,950	10,759
– Right-of-use asset*	977	–
	<u>12,927</u>	<u>10,759</u>
Total minimum lease payments for leases previously classified as operating leases under HKAS 17*		
– Warehouse	–	2,891
– Machinery	–	3,165
Staff costs (<i>Note 7</i>)	64,628	41,865
Impairment loss on contract assets	6,174	24,076
(Reversal of)/allowance for credit loss on:		
– Trade receivables	(2,182)	112
– Contract assets	(4,845)	(276)
	<u>(6,027)</u>	<u>(164)</u>

* The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets as at 1 April 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2.

6. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on lease liabilities	122	62
Interest on bank overdrafts	10	15
Interest on bank loan	218	19
	<u>350</u>	<u>96</u>

7. STAFF COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Contribution to defined contribution retirement plan	1,873	1,156
Salaries, wages and other benefits	<u>62,755</u>	<u>40,709</u>
	<u><u>64,628</u></u>	<u><u>41,865</u></u>

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax		
– charge for the year	–	(51)
– over provision in respect of prior years	–	6,033
Deferred tax credit	<u>–</u>	<u>1,698</u>
Income tax credit	<u><u>–</u></u>	<u><u>7,680</u></u>

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.
- (ii) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rate regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rate regime, the first HK\$2 million of profits of a qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

For the years ended 31 March 2020 and 2019, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

The directors of the Company are in the view that the impact of the two-tiered profits tax rates regime on the Group’s current and deferred tax position is not material.

No provision for Hong Kong Profits Tax has been provided for the year ended 31 March 2020 as the Group had no assessable profits for the year.

9. DIVIDENDS

No dividend was paid or proposed for both years nor has any dividend been proposed since the end of the reporting period.

10. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share attributable to the ordinary equity holders of the Company is based on the following data:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Earnings/(loss)		
Profit/(loss) for the year attributable to owners of the Company	1,331	(45,321)
	2020 <i>Number of shares '000</i>	2019 <i>Number of shares '000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share (<i>Note</i>)	684,750	684,750

Note:

Weighted average number of ordinary shares for the year ended 31 March 2020 and 2019 are based on the number of ordinary shares in issue throughout the year.

Diluted earnings/(loss) per share is same as basic earnings/(loss) per share as there was no potential dilutive ordinary shares for the years ended 31 March 2020 and 2019.

11. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables (<i>note</i>)	22,195	12,610
Less: allowance for credit loss	<u>–</u>	<u>(2,182)</u>
	22,195	10,428
Other receivables	15,073	13,389
Prepayments and deposits	<u>3,188</u>	<u>4,824</u>
	<u>40,456</u>	<u>28,641</u>

Note:

Trade receivables were mainly derived from provision of foundation works, including piling construction, ELS works, pile cap construction, site formation and ancillary services, and are non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances.

A credit period of less than 60 days is granted by the Group to its trade customers of contract work. Application for progress payments of contract works is made on a regular basis.

The following is an analysis of trade receivables by age, presented based on the invoice dates:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0-30 days	21,784	10,428
31-90 days	–	–
More than 90 days	<u>411</u>	<u>–</u>
	<u>22,195</u>	<u>10,428</u>

Subsequent to the end of the reporting period, the trade receivables were fully settled.

12. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables (<i>note</i>)	57,159	27,521
Retention payables	22,175	20,575
Other payables and accruals	12,076	5,434
	<hr/>	<hr/>
	91,410	53,530
	<hr/> <hr/>	<hr/> <hr/>

Note:

An ageing analysis of trade payables, based on the invoice dates, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0-30 days	23,599	12,170
31-90 days	20,982	11,770
91-365 days	10,287	1,832
More than 365 days	2,291	1,749
	<hr/>	<hr/>
	57,159	27,521
	<hr/> <hr/>	<hr/> <hr/>

The Group's trade payables are non-interest bearing and generally have payment terms of 7 to 60 days.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Year, the Group was engaged in the provision of foundation works in Hong Kong and Macau. The scope of foundation works undertaken by us mainly includes piling construction (such as driven H-piling, socketed H-piling, precast prestressed concrete piling, mini piling, soldier piling, pipe piling and king posts), ELS works, pile cap construction, site formation and ancillary services (such as loading test and construction machinery leasing services).

As at 31 March 2020, there are nine projects on hand with total contract sum amounting to approximately HK\$715,058,000. Five projects are expected to be completed in the forthcoming financial year. Subsequent to the financial year end, the Group was awarded one foundation project with contract sum amounting to approximately HK\$21,732,000.

PROSPECTS

The year ended 31 March 2020 was definitely a challenging year for the Group. Apart from the intense competition, shortage of skilled labour and rising construction costs encountered by the Group during the past years, the social unrest and the novel coronavirus (COVID-19) outbreak in Hong Kong have inevitably eroded the profitability of the Group. As such, the Directors expect that next year will remain to be very challenging to the Group's business due to the anticipated downturn of economy in Hong Kong.

Despite the challenges ahead, the Directors believe that the Government's long term policies for large scale infrastructure projects and the land supply to public and private sectors will favour the demand for the Group's business and the Group is well-positioned to take up new projects in the coming year. Furthermore, the Group will continue to implement tight cost control measures on the Group's existing projects so as to enhance the efficiency in project management and maintain the Group's competitiveness in the construction industry. The Group will also keep exploring various potential business opportunities that will broaden our sources of revenue so that our shareholders' return can be maximized.

FINANCIAL REVIEW

Revenue

The Group's total revenue for the Year was approximately HK\$351,944,000 (for the Previous Year: approximately HK\$241,612,000), representing an increase of approximately 45.7% over the Previous Year. The increase was because the Group undertook some more foundation work projects during the Year.

Gross Profit/(Loss) and Gross Profit/(Loss) Margin

The Group's gross profit amounted to approximately HK\$15,117,000 for the Year (for the Previous Year: gross loss approximately HK\$8,554,000). The Group's gross profit margin during the Year was approximately 4.3% (for the Previous Year: gross loss margin approximately 3.5%).

The increase in gross profit margin was mainly due to (i) the improvement of the bidding prices on the new tenders; and (ii) the tight control of direct costs.

General and Administrative Expenses

The Group's administrative expenses for the Year were approximately HK\$32,812,000 (for the Previous Year: approximately HK\$50,102,000), representing a decrease of approximately 34.5% over the Previous Year. This was mainly due to decrease in impairment of contract assets during the Year as compared to the Previous Year.

Income Tax Credit

There was no income tax credit for the Year of the Group (for the Previous Year: approximately HK\$7,680,000).

Net Profit/(Loss)

As a result of the abovementioned, the Group reported a net profit for the Year of approximately HK\$1,331,000 (net loss for the Previous Year: approximately HK\$45,321,000).

Liquidity, Financial Resources and Capital Structure

As at 31 March 2020, the Group had bank balances of approximately HK\$23,044,000 (as at 31 March 2019: approximately HK\$40,997,000). The interest-bearing debts of the Group as at 31 March 2020 was approximately HK\$8,795,000 (as at 31 March 2019: approximately HK\$5,489,000). The gearing ratio is calculated based on the amount of bank loan and liabilities under finance lease divided by total equity. The gearing ratio of the Group as at 31 March 2020 was approximately 5.2% (as at 31 March 2019: approximately 3.3%), as a result of the increase in bank loan during the Year.

Pledge of Assets

The Group's plant and machinery with an aggregate net book value of approximately HK\$2,807,000 as at 31 March 2019 were held under finance leases. The pledge of all such plant and machinery had been released as at 31 March 2020.

As at 31 March 2020, banking facilities were secured by the Group's bank deposits amounting to approximately HK\$20,689,000 (as at 31 March 2019: HK\$19,671,000).

Foreign Exchange Risk

The Group mainly operates in Hong Kong and most of the operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that we should have sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group has not engaged in any derivative contracts to hedge its exposure to foreign exchange risk during the Year.

Employees and Remuneration Policy

As at 31 March 2020, the Group employed 205 employees. Total remuneration costs including directors' emoluments for the Year amounted to approximately HK\$64,628,000 (for the Previous Year: approximately HK\$41,865,000). The salary and benefit levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee.

During the Year, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

Capital Commitments

The Group did not have any capital commitments as at 31 March 2020 (as at 31 March 2019: Nil).

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 March 2020 (as at 31 March 2019: Nil).

Use of Proceeds from Initial Public Offering

The net proceeds of the share offer received by the Company in relation to the Listing were approximately HK\$95,325,000, after deduction of underwriting fees and commissions and expenses. These proceeds are intended to be applied in accordance with the proposed application set out in the paragraph headed “Future plans and use of proceeds” in the prospectus of the Company dated 31 October 2016 (the “**Prospectus**”). The below table sets out the proposed applications of the net proceeds and usage up to date of this announcement:

	Planned use of proceeds	Actual usage up to the date of this announcement	Unutilised proceeds as at the date of this announcement
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Purchase of machinery and equipment	67,048	57,923	9,125 (<i>Note</i>)
Taking out surety bond	19,466	19,466	–
Expansion of workforce	7,299	7,299	–
General working capital	1,512	1,512	–
	<u>95,325</u>	<u>86,200</u>	<u>9,125</u>

Note:

As at the date of this announcement, there were unutilised proceeds with an amount of approximately HK\$9,125,000 for the purchase of machinery and equipment. There was a delay in the utilisation of proceeds due to the delay of site progress in the Group’s work projects. The Directors expect to apply such unutilised proceeds, in particular, approximately HK\$3,113,000, HK\$1,930,000, HK\$2,400,000 and HK\$1,682,000, respectively, in purchasing pile drivers, hydraulic hammers, crawler cranes and pre-boring rigs, by 31 March 2021.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Purchase, sale or redemption of the Company's listed securities

No purchase, sale or redemption of the Company's listed securities was made by the Company or its subsidiaries from the Listing Date and up to the date of this announcement.

Compliance with the corporate governance code

The Group is committed to uphold high standards of corporate governance. The Board considers that enhanced public accountability and corporate governance are beneficial to the healthy growth of the Group, improving customer and supplier confidence and safeguarding the interests of the shareholders of the Company.

The Company had complied with all applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules from the Listing Date and up to the date of this announcement.

Compliance with the Model Code

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**"). In response to a specific enquiry by the Company, all Directors have confirmed that they complied with the requirements of the Model Code since the Listing Date and up to the date of this announcement.

Audit Committee

The Company has established an audit committee (the "**Audit Committee**") in accordance with the requirements of the Listing Rules with terms of reference aligned with the provision of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Audit Committee is to serve as a focal point for communication between other Directors, the external auditors, and the management as their duties relate to financial and other reporting, internal controls and the audits; and to assist the Board in fulfilling its responsibilities by providing an independent review of financial reporting, be satisfying themselves as to the effectiveness of the Company's internal controls and as to the efficiency of the audits. The Audit Committee comprises three independent non-executive Directors, namely Mr. Cheng Chi Hung (chairman), Mr. Li Hon Hung, *BBS, MH, JP* and Mr. Wong Yip Kong.

Review of Annual Results

The Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31 March 2020. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in this announcement have been reviewed and agreed by the Group's auditor, Elite Partners CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by

Elite Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Elite Partners CPA Limited on this announcement.

Dividend Policy

The declaration of payment of dividends are subject to the criteria set out in the dividend policy adopted by the Company (the “**Dividend Policy**”), shall remain to be determined at the sole discretion of the Board and are subject to all applicable laws and regulations and the Articles of Association of the Company. The Board shall take into account the following factors, among other factors, when considering the declaration and payment of dividends:

- (a) the Group’s overall results of operation, financial position, liquidity position, capital requirements, cash flow and future prospects;
- (b) the amount of distributable reserves of the Company;
- (c) the expected capital requirements and future expansion plans of the Group;
- (d) the general business and regulatory conditions, the business cycle of the Group and other internal or external factors that may have an impact on the business or financial performance and position of the Group;
- (e) the statutory and regulatory restrictions;
- (f) the contractual restrictions on the payment of dividends by the Company to the shareholders or by the subsidiaries of the Company to the Company;
- (g) the shareholders’ interests; and
- (h) other factors that the Board deems relevant.

The Company will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the Dividend Policy at any time. The Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

Final Dividend and Annual General Meeting

The Directors recommended no payment of final dividend for the Year. Notice of the annual general meeting will be published and despatched to shareholders of the Company in the manner required by the Listing Rules in due course.

Publication of Results Announcement and Annual Report

This announcement is published on the website of the Stock Exchange at www.hkex.com.hk and at the website of the Company at www.simonandsons.com.hk. The annual report will be despatched to the shareholders of the Company and available on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to all our management and staff members for their dedication and contribution to the Group. In addition, I would like to thank all our shareholders and investors for their support and our customers for their patronage.

By order of the Board
Sheung Yue Group Holdings Limited
Chan Lap Wai Gary
Chairman

Hong Kong, 30 June 2020

As at the date of this announcement, the Board comprises Mr. Chan Lap Wai Gary (Chairman), Mr. Chan Lap Chuen Edmond and Ms. Chan Chin Ying Amanda as executive Directors, and Mr. Li Hon Hung, BBS, MH, JP, Mr. Cheng Chi Hung and Mr. Wong Yip Kong as independent non-executive Directors.